

Message Text

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SUBJECT: SWAZILAND 1975-76 BUDGET SPEECH

REF: CERP 7000; MBABANE 561, MARCH 28, 1974

1. SUMMARY: MINISTER OF FINANCE ROBERT STEPHENS DELIVERED BUDGET SPEECH FOR FY 75/76 (APRIL 1, 1975 - MARCH 31, 1976) ON MARCH 25. AS RESULT OF INCOME FROM SUGAR (RECEIPTS FROM SUGAR EXPORT LEVY ALONE ESTIMATED AT E9 MILLION IN FY 74/75 AND E20 MILLION IN FY 75/76), GOS FINANCIAL SITUATION IS HEALTHY. ESTIMATED REVENUE IN FY 75/76 IS E57.6 MILLION COMPARED WITH ESTIMATED NET RECURRENT EXPENDITURES OF E34 MILLION. STEPHENS WARNED, HOWEVER, THAT SWAZILAND CANNOT COUNT ON SUCH "WINDFALL" REVENUES INDEFINITELY. A FURTHER REPORT ON THE BUDGET WILL FOLLOW WHEN ESTIMATED EXPENDITURES FOR INDIVIDUAL MINISTRIES ARE ISSUED. END SUMMARY.

2. FINANCIAL INSTRUCTIONS AND MONETARY MATTERS.

IN FIRST SECTION OF HIS BUDGET SPEECH, STEPHENS REVIEWED THE OPERATIONS OF SWAZILAND'S RECENTLY CREATED FINANCIAL
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INSTITUTIONS. HE REFERRED WITH PRIDE TO THE ESTABLISHMENT

DURING PAST YEAR OF SWAZILAND ROYAL INSURANCE CORPORATION AND NATIONAL PROVIDENT FUND AND PRAISED THE WORK OF THE SWAZILAND DEVELOPMENT AND SAVINGS BANK, THE COMMERCIAL BANKS (NOW 40 PERCENT GOVERNMENT OWNED) AND THE SWAZILAND MONETARY AUTHORITY IN MOBILIZING DOMESTIC SAVINGS AND IMPLEMENTING THE GOVERNMENT'S MONETARY POLICY. STEPHENS ALSO MENTIONED TRIPARTITE MONETARY AGREEMENT SIGNED IN DECEMBER, 1974 WITH LESOTHO AND SOUTH AFRICA, FORMALIZING SWAZILAND'S PARTICIPATION IN THE RAND MONETARY AREA.

3. THE ECONOMIC REVIEW

STEPHENS SAID, "FOR SWAZILAND, 1974 WAS A YEAR OF NOTABLE GAINS IN BOTH PRODUCTION AND EMPLOYEMENT". ALTHOUGH PRICES ROSE AS A RESULT OF WORLD WIDE INFLATION, "FOR MOST OF THE MAJOR EXPORT INDUSTRIES, 1974 WAS AN EXCEPTIONALLY PROSPEROUS YEAR. BOTH SUGAR AND WOODPULP PRICES REACHED EXTRAORDINARY HIGH LEVELS". DESPITE THE ADVERSE ECONOMIC SITUATION IN OTHER PARTS OF THE WORLD, STEPHEN PREDICTED, "IT IS LIKELY THAT THE SWAZILAND ECONOMY WILL CONTINUE TO FARE VERY WELL IN 1975". AS A RESULT OF THE AGREEMENT WITH THE EEC, "THE SUGAR INDUSTRY IS VIRTUALLY ASSURED OF ANOTHER VERY PROSPEROUS YEAR" AND THE LOME AGREEMENT OPENS UP OTHER PROMISING PROSPECTS FOR SWAZI EXPORTS. HOWEVER, STEPHENS ADDED A NOTE OF CAUTION, POINTING OUT THAT "THE WORLD ECONOMY IS PRESENTLY IN A CRITICAL STATE OF DISEQUILIBRIUM" AND THAT IF IT ENTERS A LENGTHY PERIOD OF STAGNATION SWAZILAND WOULD, IN TIME, BE ADVERSELY AFFECTED.

4. THE BUDGET

STEPHENS GAVE THE FOLLOWING BUDGET FIGURES:

A. REVENUE

IN FY 73/74 - R28.6 MILLION

IN FY 74/75 - E40.3 MILLION

(ORIGINAL ESTIMATE E32.8 MILLIONS)

IN FY 75/76 - E57.6 MILLION

STEPHENS POINTED OUT THAT GOS REVENUE HAD MORE THAN DOUBLED
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IN TWO YEARS. REASON - THE SUGAR LEVY WHICH PRODUCED AN ESTIMATED E9 MILLION IN FY 74/75 AND WILL PRODUCE AN ESTIMATED E20 MILLION IN FY 75/76. RECEIPTS FROM INCOME TAX ARE ALSO EXPECTED TO INCREASE FROM E9.2 IN FY 1974/75 TO E14.6 MILLION IN 1975/76, PRIMARILY AS A RESULT OF INCREASED PAYMENTS BY SUGAR PRODUCERS. THE OTHER MAJOR SOURCE OF INCOME, CUSTOMS REVENUE, IS EXPECTED TO DECLINE, FROM THE E18.7 MILLION IN FY 74/75 TO E18.1 MILLION IN FY

75/76.

B. EXPENDITURE

ESTIMATED NET RECURRENT EXPENDITURES FOR FY 75/76 ARE E34 MILLION COMPARED TO E26.6 IN FY 74/75. THE REMAINDER IS FOR TRANSFERS TO THE CAPITAL BUDGET AND TO THE RESERVE FUND.

THE CAPITAL BUDGET FOR FY 75/76 IS E25 MILLION COMPARED WITH E16 MILLION IN FY 74/75. E13 MILLION WILL COME FROM LOCAL SOURCES; THE REMAINDER (E13 MILLION) FROM BOTH MULTILATERAL AND BILATERAL AID DONORS. THE MAJOR EXPENDITURES WILL BE FOR RUAL DEVELOPMENT, COOPRATIVE CENTERS, EDUCATION AND TRAINING (E2.6 MILLION), "SUPPORT ACTIVITIES IN INDUSTRY, MINES AND TOURISM" (E4.2 MILLION), ECONOMIC INFRASTRUCTURE (E4 MILLION) AND LOW COST HOUSING.

C. IN HIS SPEECH, STEPHENS EMPHASIZED REPEATEDLY THAT SWAZILAND WILL NOT ALWAYS BE ABLE TO COUNT ON EXTRAORDINARY REVENUES FROM THE SUGAR INDUSTRY AND MUST THEREFORE HOLD DOWN ITS RECURRENT EXPENDITURES TO A LEVEL THAT CAN BE COVERED BY MORE RELIABLE SOURCES OF INCOME. REGARDING NEW FISCAL MEASURES, STEPHENS SAID THE ONLY NEW ACTION WOULD BE TO INCREASE RATE OF TAX PAYABLE ON INTEREST DUE TO NON-RESIDENTS FROM 7.5 TO 10 PERCENT.

5. COMMENT

A. IN A PERIOD WHEN MANY COUNTRIES ARE SUFFERING SEVERE BUDGETARY PROBLEMS, LITTLE SWAZILAND DONE REMARKABLY WELL. AS STEPHENS POINTS OUT, THE REASON IS THE DRAMATIC INCREASE IN THE PRICE OF SUGAR AND THE GOVERNMENT'S INCREASED UNCLASSIFIED

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REVENUE FROM THIS PRODUCT. AS THE MINISTER ALSO POINTS OUT, IT WOULD BE IMPRUDENT FOR THE GOS TO RELY ON SUCH REVENUE OVERY THE LONG TERM.

B. THE BUDGET SPEECH CONTAINS FEW DETAILS ON THE SPECIFIC PROJECTS THE GOS INTENDS TO IMPLEMENT THIS YEAR. AS SOON AS THE BUDGETS OF THE INDIVIDUAL MINISTRIES ARE AVAILABLE, A MORE DETAILED ANALYSIS OF SWAZILAND'S 1975/76 DEVELOPMENT PROGRAM WILL BE FORWARDED BY AIRGRAM. LANE

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